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8 **IN THE UNITED STATES DISTRICT COURT**
9 **FOR THE NORTHERN DISTRICT OF CALIFORNIA**

10
11 **FRISKIT, INC.,**

12 **Plaintiff,**

13 **v.**

14 **REALNETWORKS, INC., et al.,**

15 **Defendants.**
16 _____/

NO. C 03-05085 WWS

**ORDER RE MOTION TO
DISMISS**

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19 Defendants RealNetworks, Inc and Listen.com ("Real") have moved to
20 dismiss this patent infringement action, contending that Plaintiff Friskit, Inc. does
21 not own the patents in suit. Ownership of a patent is a prerequisite to standing in
22 a patent infringement action. *See Crown Die & Tool Co. v. Nye Tool & Mach.*
23 *Works*, 261 U.S. 24, 34-42 (1923).

24 Friskit is the assignee of Aviv Eyal, the inventor of the patented
25 technology. Eyal was employed by Microsoft Corporation from May 1998
26 through December 31, 1999. On January 24, 2000, Eyal and Friskit filed a
27 provisional application covering the patents in suit. Real contends that Eyal
28 developed the technology covered in the patents while he was still working for

1 Microsoft. It further contends that “Eyal’s employment agreement required him
2 to assign to Microsoft all rights in any inventions he created during the
3 employment,” and that therefore “Microsoft, not [Friskit], is the true owner of the
4 technology covered by the patents.”

5 The relevant provisions of the employment agreement state:

6 Assignment of Inventions. I will make prompt and full
7 disclosure to MICROSOFT, will hold in trust for the sole benefit of
8 MICROSOFT, and will assign exclusively to MICROSOFT all my
9 right, title, and interest in and to any and all inventions, discoveries,
10 designs, developments, improvements, copyrightable material, and
11 trade secrets (collectively herein “Inventions”) that I solely or jointly
12 may conceive, develop, author, reduce to practice or otherwise
13 produce during my employment with MICROSOFT. I waive and
14 quitclaim to MICROSOFT any and all claims of any nature
15 whatsoever that I now or hereafter may have for infringement of any
16 patent application, patent, or other intellectual property right relating
17 to any Invention so assigned to MICROSOFT.

18 My obligation to assign shall not apply to any
19 Invention about which I can prove the following:

- 20 a) it was developed entirely on my own time;
- 21 b) no equipment, supplies, facility, services, or trade
22 secret information of MICROSOFT were named
23 in its development;
- 24 c) it does not relate (i) directly to the business of
25 MICROSOFT or (ii) to the actual or demonstrably
26 anticipated business, research or development of
27 MICROSOFT; and
- 28 d) it does not result from any work performed by me for
MICROSOFT.

19 The employment agreement also contained a “Best Efforts/Conflicting
20 Interest/Moonlighting” clause, which states:

21 Best Efforts/Conflicting Interest/Moonlighting. I will diligently
22 perform my assigned duties and devote my entire working time,
23 abilities and efforts to such duties and to furthering the best interests
24 of MICROSOFT. During my employment, I will not engage in any
25 activity of investment that (a) conflicts with MICROSOFT’s
26 business interests, (b) occupies my attention so as to interfere with
27 the proper and efficient performance of my duties for MICROSOFT,
28 or (c) interferes with the independent exercise of my judgment in
MICROSOFT’s best interests.¹

¹ The employment agreement in addition contained moonlighting guidelines establishing requirements governing outside work by Microsoft employees. While the guidelines state that in case of failure to comply, “[u]nder the Assignment of Inventions

(continued...)

1 For the purposes of this motion, it is not necessary to determine whether
 2 conception of the inventions occurred while Eyal was at Microsoft, or whether
 3 the employment agreement applies to the conceived inventions. Nor is it
 4 necessary to determine whether he violated any obligations to Microsoft imposed
 5 by the employment agreement. What matters is whether he assigned his
 6 inventions to Microsoft. In the absence of an assignment, Microsoft is not the
 7 owner and Eyal therefore was free to assign his inventions to Friskit.

8 The plain words of the assignment clause state that Eyal “*will assign*
 9 exclusively to Microsoft” any inventions developed during his employment with
 10 Microsoft. (Emphasis added.) The agreement is not written as an assignment
 11 instrument of prospective inventions. It simply obligates Eyal to assign his
 12 inventions. It is not claimed—by Real or by Microsoft—that he ever made an
 13 assignment. This may have been a breach of the terms of the agreement, but it
 14 does not give Real standing to claim that Microsoft owns the patents when
 15 Microsoft has itself never made such a claim.

16 *Arachnid Inc. v. Merit Industries*, 939 F.2d 1874 (Fed. Cir. 1991), is
 17 squarely on point. There, a consulting agreement included a similar provision,
 18 which the court concluded “was an agreement to assign, not an assignment.” *Id.*
 19 at 1580.

20 Its provision that all rights to inventions developed during the
 21 consulting period “will be assigned” by IDEA to Arachnid does not
 22 rise to the level of a present assignment of an existing invention,
 23 effective to transfer all legal and equitable rights therein to Arachnid
 24 and extinguish any rights of IDEA. Nor does the provision amount
 25 to a present assignment of an expectant interest. *See Filmtec Corp.*
v. Allied-Signal Inc., 939 F.2d 1568, 1572 (1991). Although an
 26 agreement to assign in the future inventions not yet developed may
 27 vest the promisee with equitable rights in those inventions once
 28 made, such an agreement does not by itself vest legal title to patents
 on the inventions in the promisee:

¹(...continued)

section of the employment agreement, [Microsoft] will own your work,” they add nothing to the terms of the agreement.

1 The *legal* title to an invention can pass to another only
2 by a conveyance which operates upon the thing invented
3 after it has become capable of being made the subject of
an application for a patent.

4 *Id.* at 1580-81 (quoting G. Curtis, A Treatise on the Law of Patents § 170 (4th ed.
5 1873)).

6 This case is not like *Pinpoint, Inc. v. Amazon.com, Inc.*, 347 F. Supp. 2d
7 579, 582 (N.D. Ill. 2004), in which the invention was developed under a
8 sponsored research agreement which provided that inventions created pursuant to
9 the agreement shall be the property of the University. *Pinpoint*, moreover, lends
10 no support to a claim by a third party asserting ownership in the promisee for the
11 benefit of the third party.

12 Real contends that even if the agreement did not assign the inventions to
13 Microsoft, Microsoft still has equitable rights to the patent. Accordingly, Real
14 argues, Friskit does not have “all substantial rights” to the patent, and cannot
15 bring an action for infringement. *See Aspex Eyewear Inc. v. Miracle Optics, Inc.*,
16 434 F.3d 1336, 1342 (Fed. Cir. 2006). *Aspex Eyewear* is not applicable, as it
17 dealt with whether the temporary transfer of various legal rights was sufficient to
18 transfer legal ownership, or created only a license. *Id.* at 1342-43. Here, even if
19 Microsoft had some equitable rights to the patent, Friskit holds all of the legal
20 ownership rights, including the right to sue for infringement. *Mas-Hamilton*
21 *Group v. LaGard, Inc.*, 156 F.3d 1206, 1210 (Fed. Cir. 1998) (“only the holder of
22 legal title to a patent at the time of the infringement can bring an action for
23 damages resulting from that infringement”).


24 Finally, even assuming that the employment agreement did apply and that
25 Eyal breached his obligations to Microsoft by assigning ownership to Friskit,
26 Real cannot sue to enforce those obligations. Nothing in the agreement suggests
27 that the parties intended it to benefit Real or similarly situated parties, or to
28 govern ownership issues raised by a third party. Its intent was to serve the mutual

1 interests of the parties to the employment relationship: Microsoft's interest in the
2 loyalty of its employees and Eyal's interest in being free from arbitrary restraint
3 on his professional freedom. Real is, at best, only an incidental beneficiary of the
4 employment agreement and, accordingly, lacks standing to sue for enforcement of
5 the agreement. *See Castle v. United States*, 301 F.3d 1328, 1339 (Fed. Cir.
6 2002); *Coast Trading Co., Inc. v. Parmac, Inc.*, 587 P.2d 1071, 1076 (Wash. App.
7 1978).

8 Accordingly, the motion to dismiss for lack of subject matter jurisdiction is
9 DENIED.

10 SO ORDERED.

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13 DATED: July 6, 2006



WILLIAM W SCHWARZER
SENIOR UNITED STATES DISTRICT JUDGE

United States District Court

For the Northern District of California